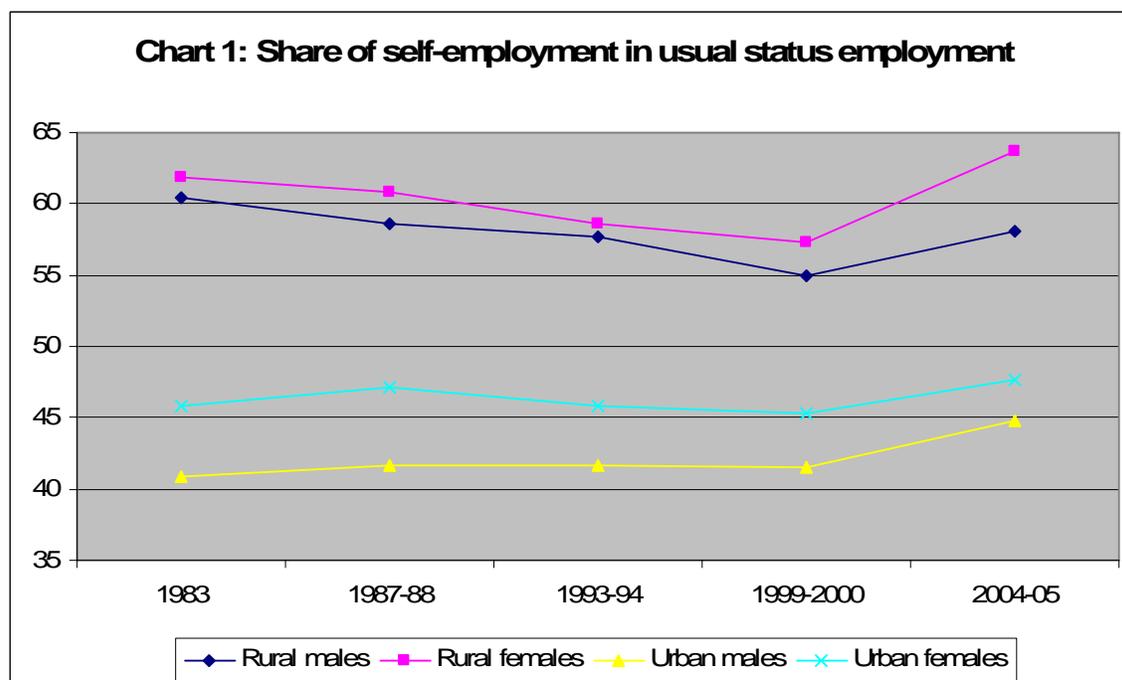


Self-employment as Opportunity or Challenge

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The most recent official data (combining estimates from the 2004-05 National Sample Survey with Census of India projections of population) suggest that around 280 million people, or just under half the work force of the country, are currently self-employed. Of these, around 62 per cent (which is equivalent to 60 per cent of the rural work force) are in rural areas, while in urban areas more than 45 per cent of workers currently work for themselves rather than for any employer.

Chart 1 shows how self-employment has increased among all categories of workers in the very latest period, to reach the highest proportions recorded since the early 1980s. The evidence from 2004-05 counteracts the declining trend of share of self-employment for rural workers that operated for the period from 1983-84 to 1999-2000.



It is interesting to note that rural self-employment is not simply concentrated in agriculture. Around one-third of the households dependent on self-employment in rural India are in non-agriculture, and more than 40 per cent of self-employed rural workers are in non-agriculture. In the urban areas, obviously, the sharp increase in self-employment in the recent past has been in non-agriculture. This basically reflects the decline in shares of not only regular employment but even casual contracts.

Given this growing significance of self-employment, it is important to consider in more depth the precise nature of self-employment, and to what extent it is a positive move of workers away from domination and control by employers, or a "refuge" form of employment forced upon workers by the inadequacy of generation of paid employment.

While self-employment accounts nearly half of all the workers in the country as a whole, the proportion of households dependent primarily upon self-employment (shown in Chart 2) is slightly less, especially in urban India. This indicates that for at least a substantial fraction of self-employed workers, their work is not seen as the dominant form of income generation of the household. This is important because it can also affect perceptions of adequate remuneration among the self-employed.

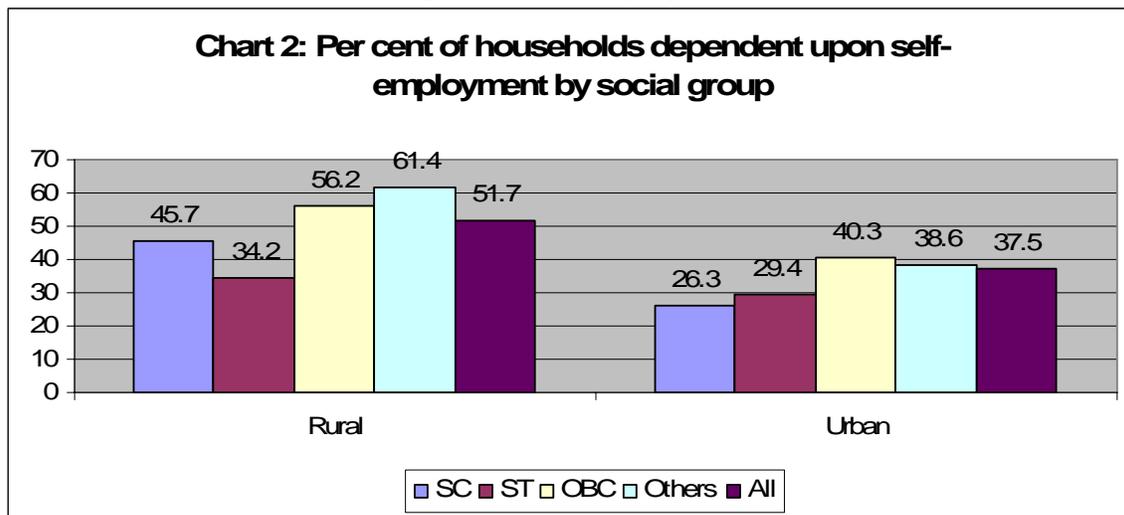


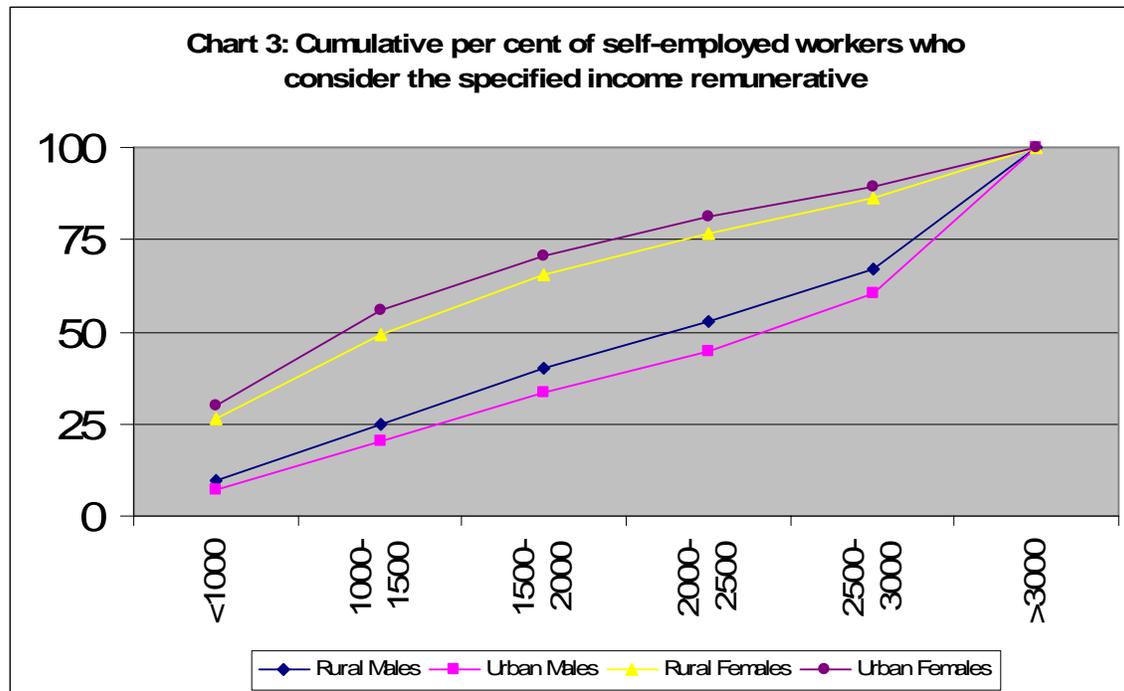
Chart 2 also shows that SC and ST households tend to be less dependent upon self-employment than other social groups, possibly because petty production of goods and services (which is essentially what self-employment is) requires either some control over assets, however, small, or

access to credit. And SC/ST households typically have less of both than the general population.

The most striking feature of the recent evidence on self-employment is the generally low expectation level of most workers, in terms of income from such work. Chart 3 presents the data from the 61st Round of the NSS on what is considered to be a "remunerative" income per month from self-employment. Two features of this table are quite striking: first, the large proportion of workers who would apparently be satisfied with monthly incomes that are well below the minimum wages in the country, and second, the very large gender gap in this indicator.

Legal minimum wages in India vary widely across states, but the range is from a low of around Rs. 45 per day in rural areas of some states to a high of as much as Rs. 120 in urban areas of other states. Therefore, assuming 24 days work in a month, the legal minimum wage varies across India in the range between Rs. 1080 and Rs. 2880 per month.

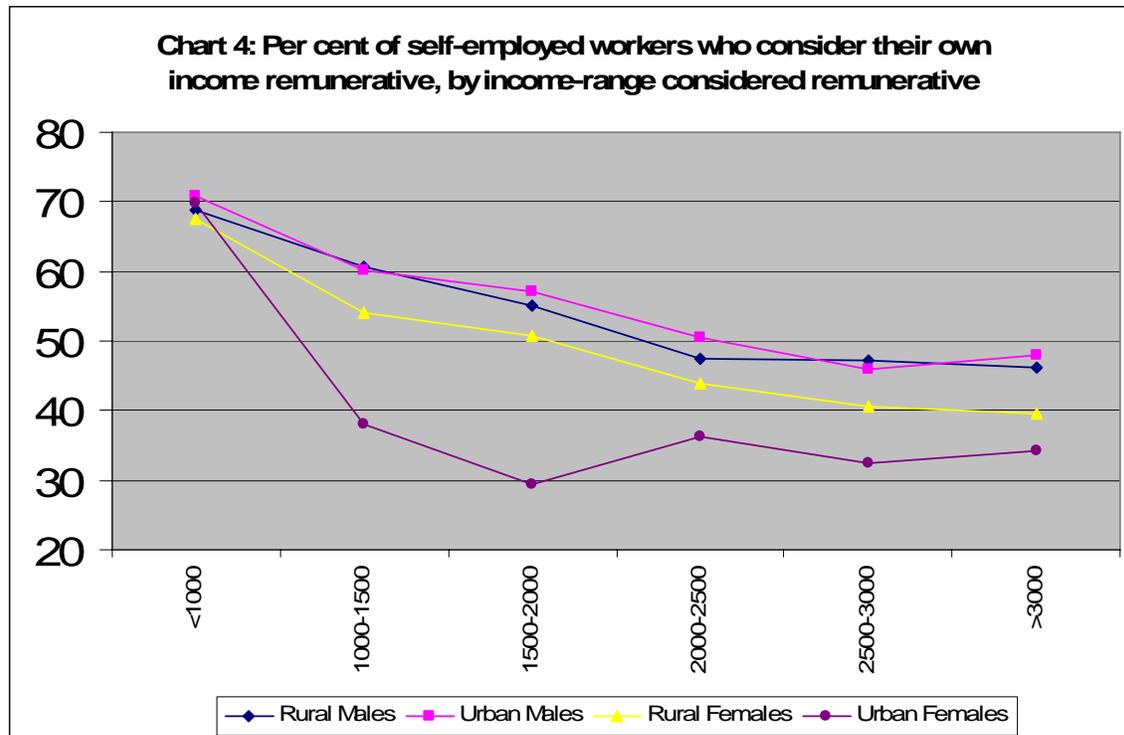
Despite this, Chart 3 suggests that in rural India around 10 per cent of male workers and more than 25 per cent of female workers would be satisfied with monthly incomes of less than Rs. 1000! If the bar is raised to Rs. 1500 per month, then as many as a quarter of males and around half of female workers would be consider the amount to be remunerative.



The expectations of urban male workers are somewhat higher, with more than half requiring a monthly income of Rs. 2000-2500 to be considered adequate. Interestingly, urban women workers emerge as having the lowest expectations of all - more than 80 per cent of such workers would consider monthly incomes of less than Rs. 2500 to be remunerative, while the majority (56 per cent) would be satisfied with less than Rs. 1500 per month.

This suggests that incomes from wage labour are so low - and clearly well below minimum wages - as to make even these very low monthly incomes appear to be remunerative in self-employment. It also suggests a widening gender gap in rewards to labour - a fact which is confirmed by the available wage data for both regular and casual work.

The 61st Round NSSO also asked the question whether those in self-employment found their own activity to be sufficiently remunerative, by expected income category. This is even more interesting because it gives some pointers as to the actual incomes obtained through self-employment. Chart 4 presents these data.



The results are quite startling. Even when the required income is less than Rs. 1000 per month, more than 30 per cent of self-employed workers do not manage to get this amount. Predictably, the level of satisfaction falls as the required level of income increases, but what is notable is that even at the desired income range of Rs. 2000-2500 per month, around half of male workers do not achieve it.

For women workers, and urban women in particular, the reality of self-employment is apparently even more depressing. It has been noted that urban females already had the lowest expectations of income from self-employment, and most would have found even very low levels to be remunerative. But even these very low monthly incomes are not achieved for them.

It is true that more than 60 per cent of urban female workers who expect less than Rs. 1000 per month manage to get at least what they expect, but these are minimal amounts likely to be marginal additions to household income. But when the required income is just above Rs. 1000, the proportion of urban women workers who manage to achieve this level of monthly income falls to less than 40 per cent. And more than 70 per cent of

those who expect only Rs. 1500-2000 per month do not receive this much through their work.

But then, it could be argued that this is because self-employment provides the freedom to determine one's own working hours and days of work, so it could be that there are such low incomes from self-employment because people actually work less hard or for fewer number of days when they are self-employed. Unfortunately, it turns out that the opposite is probably the case, and that most self-employed workers end up working every day without any break.

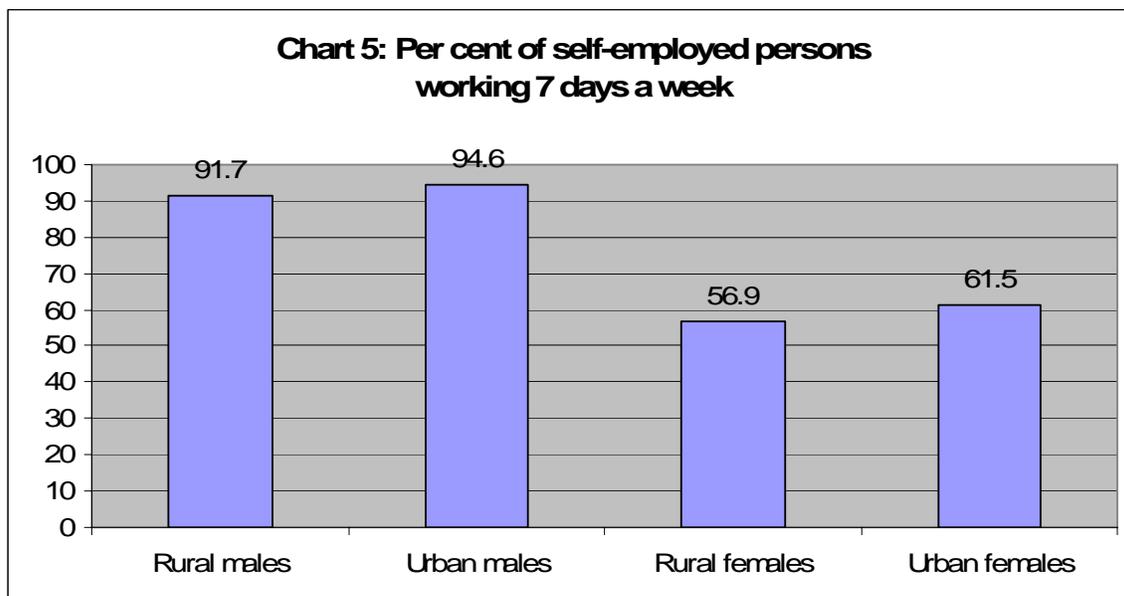


Chart 5 indicates the proportion of self-employed workers who work all seven days of the week. It turns out that well over 90 per cent of male workers in both rural and urban areas work all days of the week. It is true that the proportion is less for women workers, probably because of greater responsibilities of household work, but even for them, the proportion who work all days of the week is well above half.

So what is the picture of self-employment that emerges? The rosy image of new productive opportunities emerging from self-employment because of a vibrant fast-growing economy is unfortunately far from the truth for most self-employed workers, even in the urban areas which are currently seen as more economically dynamic. Of course it is true that in the

highly-skilled professional categories new forms of highly remunerative self-employment are emerging. But this is only a minuscule drop in the ocean of self-employment. Instead, the evidence suggests that most self-employed workers are engaged in continuous, intensive but low productivity work, that provides little remuneration and is also prey to tremendous uncertainty because of the unpredictability of income.

This is not just bad news because it reflects the precarious conditions of labour markets in India, where paid employment is simply not increasing fast enough to meet the needs of the growing labour force. It is also worrying because it upsets some implicit assumptions made in official circles. Many policy makers have tended to see self-employment as some sort of solution, or at least a sign of the inherent dynamism of economic activity, and have viewed the issue of employment generation as solved by the emergence of greater numbers of self-employed people. It is now abundantly clear that this is over-optimistic, and that the current pattern of self-employment that is now dominant in India is cause for concern rather than celebration.